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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON
AT SPOKANE

RONALD R. WAMBOLT, on behalf of himself and all others similarly situated,

Plaintiff,

v.

AVISTA CORP., THOMAS M. MATTHEWS, GARY ELY and JON E. ELIASSEN,

Defendants.

No. CS-02-0328-FVS

CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS

JURY TRIAL DEMANDED

Plaintiff, by his undersigned attorneys, individually and on behalf of the Class described below, upon information and belief, based upon, *inter alia*, the investigation of counsel, which includes, among other things, a review of public announcements made by defendants, Securities and Exchange Commission ("SEC") filings made by defendants, press releases, reports of securities analysts, and media reports, except as to the paragraph applicable to the named plaintiffs which is alleged upon personal

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knowledge, brings this complaint (the "Complaint") against defendants named herein, and alleges as follows:

SUMMARY OF ALLEGATIONS

1. This is a securities class action alleging violations of the federal securities laws and in connection with misstatements and omissions of material fact regarding Avista Corp. ("Avista" or the "Company") by the defendants named herein. In particular, during the class period hereinafter defined, defendants omitted to disclose the following crucial facts regarding risky business practices that Avista was engaging in with Enron Power Marketing Inc. (hereinafter "Enron") and its subsidiary, Pacific General Electric Co. (PG&E"), including:

- That Avista was engaged in highly risky energy trading activities with Enron and PG&E involving so-called "Ricochet" or "megawatt laundering" trades in which Avista acted as a middleman between Enron and PG&E so that Enron could evade California's caps on electric power prices and charge California artificially high prices for electricity;
- That Avista routinely acted as a middleman between affiliates such as Enron and PG&E in order to facilitate transactions to proceed which would have been prohibited under federal rules if the affiliates had engaged in them without an intermediary;
- That Avista's reported revenues from its energy trading and wholesale purchase and sale of electric power during the Class Period were not sustainable because they were derived in part from Avista's role in "Ricochet" transactions and other Enron trading schemes that had no economic purpose other than to "game" the California power market; and
- That Avista was and is exposed to substantial contingent legal liabilities as a result of the foregoing, including the threatened revocation of its

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license to trade electric power on the wholesale markets, or market-based rate authority, by the Federal Energy Regulatory Commission ("FERC" or the "Commission").

2. When Wall Street began to learn the truth regarding the foregoing on June 5, 2002 after FERC issued an order finding that Avista had failed to cooperate with FERC's investigation into manipulation of the California power markets during 2000 and ordered Avista to show cause why its authority to sell electric power at market-based rates should not be revoked as a result of Avista's failure to comply with the Commission-ordered investigation, Avista's stock tumbled 13 percent. On August 14, 2002, after the Commission announced that it may take formal enforcement action on charges that Avista helped manipulate California power prices during 2000, Avista stock tumbled 11.85 percent, and on September 17, 2002 Avista stock traded at as low as $11.10 per share, down from its class period high of ***$67.55***.

JURISDICTION

3. This Court has jurisdiction over the subject matter of this action pursuant to § 27 of the Securities Exchange Act of 1934 (the "Exchange Act") (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

4. Plaintiff brings this action pursuant to Sections 10(b) and 20(a) of the Exchange Act as amended (15 U.S.C. § 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5), and the common law. Venue is proper in this District because defendant Avista conducts business and maintains its primary place of business in this District, and because certain of the wrongful acts alleged herein took place or originated in this District.

5. In connection with the acts alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including,

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but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

6. Plaintiff Ronald R. Wambolt ("Plaintiff") purchased shares of Avista at artificially inflated prices as set forth on Schedule "A" hereto and was damaged thereby.

7. Defendant Avista Corporation, an energy company involved in the generation, transmission and distribution of energy, as well as other energy-related businesses, is a Washington corporation having its principal place of business at 1411 East Mission Avenue, Spokane, Washington. The Company's stock trades in an efficient market on the New York Stock Exchange under the symbol "AVA".

8. Defendant Thomas M. Matthews formerly served at times relevant hereto as Avista's Chairman and Chief Executive Officer before resigning in November 2000.

9. Defendants Gary Ely and Jon E. Eliassen currently serve as Avista's Chairman, Chief Executive Officer and Chief Financial Officer, respectively. Defendants Matthews, Ely and Eliassen are hereinafter sometimes collectively referred to as the "Individual Defendants."

CLASS ACTION ALLEGATIONS

10. Plaintiff brings this action as a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of a class consisting of all persons who purchased, converted, exchanged or otherwise acquired the common stock of Avista between November 23, 1999 and August 13, 2002, inclusive (the "Class Period") and were damaged thereby (the "Class").

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11. Members of the Class are so numerous that joinder of all members is impracticable. Specifically:

(a) There were 47,682,357 shares of Avista stock issued and outstanding as of March 19, 2002; and

(b) While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are thousands of Class members who acquired Avista stock during the Class Period.

12. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the other members of the Class have sustained damages because of defendants' unlawful activities alleged herein. Plaintiff has retained counsel competent and experienced in class and securities litigation and intends to prosecute this action vigorously. The interests of the Class will be fairly and adequately protected by plaintiff. Plaintiff has no interests which are contrary to or in conflict with those of the Class that plaintiff seeks to represent.

13. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Plaintiff knows of no difficulty to be encountered in the management of this action that would preclude its maintenance as a class action.

14. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether defendants misstated and/or omitted to state material facts in their public statements and filings with the SEC;

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(c) whether defendants participated directly or indirectly in the course of conduct complained of herein; and

(d) whether the members of the Class have sustained damages as a result of defendants' conduct and the proper measure of such damages.

DEFENDANTS' FRAUDULENT COURSE OF CONDUCT

A. November 23, 1999-May 8, 2002: Avista Embarks Upon an Undisclosed and Highly Risky Course of Business by Acting As A Middleman In "Ricochet" or "Megawatt Laundering" Transactions Involving Enron and PG&E

15. Avista is an energy company involved in the generation, transmission and distribution of energy, as well as other energy-related businesses. After joining the company (from Houston-based power trader Dynegy) on July 1, 1998, defendant Matthews tried to transform a sleepy utility company known as The Washington Water Power Company into Avista– a national player in what was thought to be the emerging business of energy trading. Under Matthews' leadership The Washington Water Power Company opened trading offices in Houston and Boston, slashed its dividend, and changed its name to Avista. These initiatives proved to be too ambitious, however, and by late-1999 Avista claimed to be retrenching itself as a regional utility company. The company stated in a November 23, 1999 press release:

> SPOKANE, WASH: Avista Corp. (NYSE:AVA) affiliate Avista Energy today announced a redirection of its focus away from national energy trading toward a more regionally based energy marketing and trading effort backed by physical assets. Costs to effect the transition are estimated to be between $10 million and $15 million dollars and will be reflected in normal expenses during the next six months. The company is presently evaluating a number of options including the sale of a portion of the business. The move toward regionally focused energy-marketing activities follows significant changes in the overall energy trading and marketing industry that have created low margins while requiring higher levels of investment, credit commitments

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> and value-at-risk limits. Mergers and consolidations within the industry have also created a small number of large players and a marketplace where liquidity has decreased and volatility has risen.

16. Thus, as of late-1999 and early-2000, investors were led to believe that Avista was returning to a lower-risk, more conservative business approach in line with its history as a traditional public utility. Avista summarized its new regional focus as follows in its Annual Report for 1999 filed with the SEC on March 17, 2000 as follows:

> Regionally. The Company plans to concentrate on growing its telecommunications and fiber optic business as part of its overall strategic focus on generating shareholder value. In addition, the Company plans to add to its regulated and non-regulated energy-related assets on a regional basis as the industry consolidates to further optimize its assets and create greater economies of scale. The growth is expected to be driven by the Company's significant base of knowledge and experience in the operation of physical systems - for both electric energy and natural gas - in the region, as well as its relationship-focused approach to the customer. [1999 Form 10-K p. 1.]

The company modestly described its risk factors as follows:

> The Company's growth strategy exposes it to risks, including risks associated with rapid expansion, challenges in recruiting and retaining qualified personnel, risks associated with acquisitions and joint ventures, and increasing competition. In addition, the energy trading and marketing business exposes the Company to the financial and credit risks associated with commodity trading activities. The Company believes that its extensive experience in the electric and natural gas business, coupled with its strong management team, will allow the Company to effectively manage its further development as a diversified energy, information and technology company. [1999 10-K p. 1.]

17. Unbeknownst to investors, Avista was about to embark upon a reckless course of business involving highly risky energy trading activities with Enron and

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PG&E involving so-called "Ricochet" or "megawatt laundering" trades in which Avista acted as a middleman between Enron and PG&E so that Enron could evade California's caps on electric power prices and charge California artificially high prices for electricity. In such trades Avista routinely acted as a middleman between affiliates such as Enron and PG&E in order to facilitate transactions to proceed which would have been prohibited under federal rules if the affiliates had engaged in them without an intermediary.

18. During the year 2000 an apparent shortage of power wreaked havoc on California's economy, causing occasional unpredicted blackouts and rolling interruptions of power. At the time, such interruptions in the power supply were attributed to excessive regulation of intrastate power prices by California regulators, insatiable demand from a growing population of Californians, and/or the Clinton Administration's tougher licensing requirements that made it difficult for power companies to build new power plants. For whatever reason, throughout 2000 businesses and consumers in California could not rely on a steady supply of power and instead faced unpredictable periodic blackouts that were both inconvenient and disruptive to business. According to an estimate by Cal. Senator Joseph Dunn, these disruptions resulted in hundreds of billions of dollars in damage to the California economy. In addition, power prices in California rose rapidly in late 2000, causing Californians to pay approximately $10 billion in excess electricity charges.

19. However, after the collapse of Enron the public slowly began to find out that, unbeknownst to the market, shortages of power and blackouts in California had not been a result of rampant demand or imprudent regulatory policy. Instead, it developed, many of the shortages and blackouts were caused by market manipulation and the artificial creation of shortages via schemes designed to exploit weaknesses and loopholes in the California power grid. Some of the schemes employed by Enron and

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others to reap supracompetitive profits even took on nicknames, such as "Deathstar" (a generic name for a family of schemes that were designed to capture ISO congestion payments based on imaginary transactions), "Black Widow," "Red Congo," "Cong Catcher," "Bigfoot" and "Fatboy".

20. During the year 2000 Avista engaged in electric power transactions with Enron and PG&E having the characteristics of "Ricochet" trades, in which Enron bought electric power from the California electric grid operator known as the Independent System Operator (the "ISO") and sold such power to Avista. Avista then resold the power to PG&E. Next, PG&E sold the power back to Avista, which then resold the power back to Enron. Enron in turn sold the power back into California, usually to the Los Angeles Department of Water and Power. This chain of transactions had the effect of enabling Enron to charge California utilities unregulated market prices for power that Enron had in fact bought ***in California at much lower, capped prices*** and improperly pocket the difference between the regulated, capped California prices and unregulated, uncapped market prices. Such transactions are also known as "megawatt laundering" transactions because, once fungible electric power originating in California has been laundered through-- or sold to and from-- an out-of-state utility, it can be sold back into California at higher, unregulated prices.

21. At no time prior to May 8, 2002 did Avista reveal the conduct alleged in ¶ 19, *supra*, to the public or regulators.

B. May 8, 2002-August 13, 2002: Avista Misleads the Federal Energy Regulatory Commission and the Market By Making Misleading and Evasive Public Statements and Written Submissions Regarding Its Involvement In "Ricochet" Trades

22. In response to a continuing public outcry arising from lingering suspicions that the California power "crisis" was in reality created by power traders "gaming" the California power markets, on February 13, 2002 the Federal Energy

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Regulatory Commission ("FERC") directed a Staff fact-finding investigation into whether any entity manipulated short-term prices in electric energy or natural gas markets in the West or otherwise exercised undue influence over wholesale prices in the West for the period January 1, 2000 forward.

23. On May 8, 2002, FERC Staff issued a data request concerning various trading strategies of sellers of wholesale electricity and/or ancillary services in the United States portion of the Western System Coordinating Council during 2000-2001. The specific trading strategies were those identified in three Enron memoranda that were provided by Enron to the FERC in response to a data request. Among the sellers to whom the data request was sent were public utilities who were granted market-based rate authority by the FERC based on a finding that they lacked market power and there was no evidence of affiliate abuse or reciprocal dealing (including Avista).

24. In response to the FERC request, on May 22, 2002 Avista denied any involvement in the types of trades set forth in the data request, stating that an extensive search of Avista's records failed to turn up any pertinent references to trading practices allegedly carried out by Enron traders to manipulate the California market. Avista proclaimed itself innocent of any wrongdoing in a May 22, 2002 press release:

> SPOKANE, WASH.: Avista Corp. (NYSE:AVA) has affirmed that the past and present trading activities of both its utility and unregulated subsidiary have been carried out in a legitimate and ethical manner. The company has detailed its position in a response to a Federal Energy Regulatory Commission inquiry into trading practices in the California energy market during 2000 and 2001.
>
> "Avista's actions were legitimate, backed by real energy assets and did not violate the ISO tariff or any state or federal regulations," said Gary G. Ely, chairman, president

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> and chief executive officer of Avista Corp. "Our company's success has been built on decades of experience serving customers in the western energy markets."

25. Unbeknownst to Avista, also in response to the FERC request, PG&E identified certain Enron-related transactions responsive to the FERC request which Avista, in a middleman capacity, had facilitated. PG&E also turned over transcripts of trading activity revealing that Avista personnel were involved in "Ricochet"-type transactions.

26. Having learned (based on information provided by PG&E) that Avista had been less than forthcoming in response to the FERC request, on June 4, 2002 the FERC issued an Order finding that Avista and others had failed to cooperate with the FERC investigation and ordered Avista and others to show cause why their authority to charge market-based rates should not be revoked as a result of their failure to comply with the FERC investigation.

27. Avista then backtracked, no longer claiming that it had not been involved in any "Ricochet" trades, but instead claiming that it had not ***knowingly*** withheld any information about such trades. On June 5, 2002 Avista issued a press release stating as follows:

> "We have not knowingly withheld any information about Avista Utilities' activities related to FERC's request," said Gary G. Ely, chairman, chief executive officer and president of Avista Corp. "We will continue to do everything possible to cooperate with FERC in this process to provide a complete and accurate response."

In the press release, Avista attributed its failure to identify the questionable transactions identified by PG&E in response to the FERC order to a lack of time to review its records.

28. The market was not convinced that Avista was free of exposure on the Enron front, however. On news of the FERC order to show cause, Avista stock

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tumbled 13 percent. Undeterred, Avista continued to stick to its story that it was not involved in any wrongdoing. On June 14, 2002, Avista responded to the FERC order to show cause, claiming in substance that it had failed to locate the "Ricochet" trades identified by PG&E because, in a letter to Avista, PG&E had not identified any specific trades, but had only provided Avista with the dates on which the trades occurred. Avista summarized its involvement in the Enron "Ricochet" trades as follows:

> Certainly, had Avista Utilities been able to review all the transcripts, both its own and PGE's, relating to the transactions, prior to the deadline for filing the responses to the May 8 Data Request, Avista Utilities would have been in a position to provide an additional explanation of the transactions with PGE and Enron in April, May, and June of 2000. Nonetheless, a close examination of those transactions reveals conclusively that Avista Utilities was not engaged in Ricochet transactions, or any other trading strategy specified in the May 8 Data Request. To the extent that any company engaged in a "trading strategy" behind the specified transactions, that company was Enron, engaging in the practice identified in the data requests as "Death Star." Avista Utilities, however, was unaware of Enron's intent, did not participate in the Cal ISO congestion markets which enable Death Star to work, did not understand the transactions to be part of a congestion relief schedule. Instead, Avista Utilities' traders believed they were engaging in a standard bilateral, buy/sell transaction with Enron and PGE in an accommodation to maintain good relations with two of Avista Utilities' common trading counterparties. [Avista Response to Order to Show Cause, p. 6.]

29. Avista maintained that while its traders had been involved in transactions that ***Enron*** arranged to manipulate the California market, Avista personnel had done so only as the unwitting dupes of Enron:

> The Avista Utilities transcripts paint the clearest picture of what was actually intended by Avista Utilities. Virtually all of the transactions in question involved the purchase of energy by Avista Utilities from Enron at Malin, and then a

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resale of that same energy to PGE at Malin. The resale to PGE almost always included an add-on of a small buy/sell fee (either $0.25 or $1.00 per MWh) to compensate Avista Utilities for its 13 role in the transactions. The Avista Utilities' transcripts plainly demonstrate that the Avista Utilities traders that consummated the transactions simply believed that they were helping accommodate a transaction between Enron and PGE, a standard industry practice known as a "sleeve". There are many legitimate reasons in a liquid trading market that cause two counterparties to seek out a third party to accommodate a transaction by stepping into the middle with a buy/sell arrangement and to "sleeve" the transaction. The most common reasons relate to internal corporate trading policies and creditworthiness problems. Avista Utilities' traders were simply trying to accommodate two other entities, PGE and Enron, that were common trading partners with Avista Utilities, and to maintain the type of good relations that are important among buyers and sellers in the Pacific Northwest markets.

The transcripts demonstrate further that the transactions were initiated solely by Enron, and that Avista Utilities provided no transmission associated with the transactions nor did it acquire any transmission. Finally, and perhaps most importantly, the transcripts show conclusively that there was no awareness on the part of Avista Utilities' traders about what, if any, strategy Enron was engaged in, the purpose behind the buy/sell requests, how Enron's strategies worked, nor even why Enron and PGE selected Avista Utilities to undertake this buy/sell. It is imperative that the Commission examine the transcripts of Avista Utilities' tape recordings in isolation from the other materials now available in this proceeding (including the transcript materials from PGE of other conversations related to the same transactions). The Avista Utilities transcripts related to the transactions are included in their entirety as Attachment A to this answer, and demonstrate Avista Utilities' limited understanding of these buy/sell transactions with 14 Enron and PGE and the lack of knowledge by Avista Utilities of whatever Enron was doing. They demonstrate that Avista Utilities was not engaged in any of the Enron strategies through these transactions. [Avista Response to Order to Show Cause, pp. 13-14.]

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30. The FERC quite simply did not buy Avista's explanation. On August 13, 2002, FERC issued an Order Initiating Investigation, and Establishing Hearing Procedures and Refund Effective Date. The FERC commented as follows:

> In its answer to Staff's initial data request of May 8, 2002, concerning various trading strategies, Avista did not admit to involvement in any of the trading strategies. In response to the Show Cause Order, Avista now admits that, in a middleman capacity, it facilitated certain transactions identified by [PG&E] in [PG&E's] response.... In fact, Avista states that it routinely acted as a middleman between affiliates such as [Enron affiliate] EPMI and [PG&E] in order to allow transactions to proceed which would be forbidden to undertake directly....
>
> While admitting that this was part of its standard business practice... Avista made no attempt to go beyond the discrete transactions previously revealed by [PG&E]. Avista argues that, because its tapes cannot be reviewed by electronic search methods, "there was no way for Avista Utilities to conduct any kind of meaningful review of all, or even a portion, of the telephone conversations in its possession and no way to focus such a review."
>
> * * * *
>
> Avista claims that it was "used" unwittingly by Enron. However, this is not reconcilable with Avista's acknowledged practice of acting as an affiliate go-between as a routine matter. Nor are we convinced that, without electronic search methods, it is incapable of coming forth with a thorough analysis of its own activities. This is in share contrast to many other entities that made a considerable effort to provide full and complete responses...

31. The FERC submitted these conclusions to the U.S. Congress, adding that Avista had been "less than forthcoming." The market once again reacted drastically. On August 14, 2002, after the Commission announced that it may take formal enforcement action on charges that Avista helped manipulate California power prices during 2000, Avista stock tumbled 11.85 percent, and on September 17, 2002 Avista

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stock traded at as low as $11.10 per share, down from its class period high of ***$67.55***. FERC summarized the situation as follows: "If the Enron companies, El Paso Electric or Avista are found to have violated federal law, the commission could revoke their market-based rate authority... [i]f any of the companies are found to have violated a FERC rule, regulation, tariff or order, they may be ordered to disgorge any profits obtained while engaging in the prohibited activities."

MISSTATEMENTS AND OMISSIONS OF MATERIAL FACTS

32. During the Class Period hereinafter defined, defendants omitted to disclose crucial facts regarding risky business practices that Avista was engaging in with Enron Power Marketing and its subsidiary PG&E, including:

- That Avista was engaged in highly risky energy trading activities with Enron and PG&E involving so-called "Ricochet" or "megawatt laundering" trades in which Avista acted as a middleman between Enron and PG&E so that Enron could evade California's caps on electric power prices and charge California artificially high prices for electricity;
- That Avista routinely acted as a middleman between affiliates such as Enron and PG&E in order to facilitate transactions to proceed which would have been prohibited under federal rules if the affiliates had engaged in them without an intermediary;
- That Avista's reported revenues from its energy trading and wholesale purchase and sale of electric power during the Class Period were not sustainable because they were derived in part from Avista's role in "Ricochet" transactions and other Enron trading schemes that had no economic purpose other than to "game" the California power market; and
- That Avista was and is exposed to substantial contingent legal liabilities as a result of the foregoing, including the threatened revocation of its

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license to trade electric power on the wholesale markets, or market-based rate authority, by the Federal Energy Regulatory Commission.

In addition, defendants made affirmative statements regarding Avista in its press releases and elsewhere as allege herein which were materially misleading in light of defendants' omissions to state the material facts set forth in this paragraph.

STATUTORY SAFE HARBOR

33. The statutory safe harbor provided for forward-looking statements does not apply here as the false statements alleged herein were not forward-looking.

FRAUD ON THE MARKET

34. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period regarding Avista as alleged herein;

(b) The omissions and misrepresentations were material;

(c) During the Class Period, Avista' common stock was traded on a developed national stock exchange, namely the New York Stock Exchange, which is an open and efficient market;

(d) Avista filed periodic reports with the SEC;

(e) Avista was followed by securities analysts;

(f) The market rapidly assimilated information about Avista that was publicly available and communicated by the foregoing means and that information was promptly reflected in the price of Avista' common stock; and

(g) The misrepresentations and omissions alleged herein would tend to induce a reasonable investor to misjudge the value of Avista' common stock.

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SCIENTER

35. The Individual Defendants acted with scienter in that they knew that statements issued and disseminated by Avista were materially false and misleading, or that the statements therein were made and distributed with reckless disregard for facts that Avista either knew or should have known. The Individual Defendants knew or recklessly disregarded the fact that such misleading statements would be distributed and disseminated to the investing public, and substantially participated in and/or acquiesced in the issuance and dissemination of such statements in violation of the federal securities laws. Specifically, defendants knew or recklessly disregarded, and omitted to disclose, that Avista was engaging in risky and improper business practices involving "Ricochet" trades.

36. The Individual Defendants either knew that such statements were false and misleading or acted with reckless disregard of such falsity since, as senior officers of Avista, the Individual Defendants knew (or alternatively had free and unfettered access to materials that would have revealed), *inter alia*, that Avista was engaging in risky and improper business practices. If the Individual Defendants did not have actual knowledge of the misrepresentations and omissions alleged, then they were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover same.

37. The Individual Defendants also had substantial economic motives to conceal the true facts regarding Avista' accounting, including the following. By concealing such facts, the Individual Defendants were able to artificially inflate the value of their own substantial holdings in Avista stock.

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AS AND FOR A FIRST CAUSE OF ACTION AGAINST ALL DEFENDANTS FOR VIOLATIONS OF SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER

38. Plaintiff repeats and realleges the allegations set forth above as though fully set forth herein.

39. During the Class Period, the defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (a) deceive the investing public, including plaintiff and other Class members, as alleged herein; (b) artificially inflate and maintain the market price of Avista common stock; and (c) cause plaintiff and other members of the Class to purchase Avista stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants took the actions set forth herein.

40. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Avista common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued as primary participants in the wrongdoing alleged.

41. In addition to the duties of full disclosure imposed on defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulations S-X (17 C.F.R. § 210.01 *et seq.*) and S-K (17 C.F.R. § 229.10 *et seq.*) and other SEC regulations, including accurate and truthful information with respect to the Company's operations and business practices so that the market prices

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of the Company's publicly traded securities would be based on truthful, complete and accurate information.

42. Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Avista and its operations and business practices, as set forth more particularly herein, and engaged in practices and a course of business which operated as a fraud and deceit upon the purchasers of Avista securities during the Class Period.

43. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them.

44. Defendants' material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of artificially inflating the market price of Avista stock.

45. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Avista' common stock was artificially inflated during the Class Period. In ignorance of the fact that the market price of Avista shares was artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by the defendants during the Class Period, plaintiff and the other members of the Class acquired Avista common stock during the Class Period at artificially inflated prices and were damaged thereby.

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46. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known that the price of Avista shares had been artificially inflated by defendants' actions, plaintiff and other members of the Class would not have purchased or otherwise acquired their Avista securities during the Class Period, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices that they paid.

47. By virtue of the foregoing wrongful conduct by defendants, plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

AS AND FOR A SECOND CAUSE OF ACTION AGAINST THE INDIVIDUAL DEFENDANTS FOR VIOLATION OF SECTION 20(A) OF THE SECURITIES EXCHANGE ACT OF 1934

48. Plaintiff repeats and realleges each and every allegation contained above as though fully set forth herein, including the allegations of ***scienter*** set forth at ¶¶ 35 through 37, *supra*.

49. The Individual Defendants acted as controlling persons of Avista within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, and participation in and/or awareness of the Avista' operations, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of Avista, including the wrongful acts alleged herein.

50. The Individual Defendants, by reason of their high-level positions, were at times relevant hereto the controlling persons of Avista and had the power and influence to cause, and did cause, Avista to engage in the conduct complained of

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herein. Thus, the Individual Defendants controlled the public dissemination of the false and misleading information alleged herein and were culpable participants in the wrongful conduct alleged herein.

51. In particular, each of the Individual Defendants had, at times relevant hereto, direct and supervisory involvement in the day-to-day operations of Avista and, therefore, is presumed to have had the power to control or influence certain of the particular transactions giving rise to the securities violations alleged herein, and exercise the same. Such transactions included, without limitation, Avista' issuance and dissemination of misleading statements and omissions in its public filings with the SEC and otherwise and elsewhere.

52. As set forth above, defendants each violated § 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons of defendant Avista, the Individual Defendants are liable pursuant to § 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the Class suffered damages in connection with their purchases of Avista common stock.

JURY DEMAND

53. Plaintiff demands a trial by jury.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and on behalf of the Class, prays for judgment as follows:

A. Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure and certifying plaintiff as class representative of the Class and his counsel as class counsel;

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B. Awarding damages against defendants, jointly and severally, including disgorgement of all unjust enrichment, for damages suffered as a result of defendants' violation of the securities laws;

C. Awarding plaintiff and the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' and expert witnesses' fees and other costs; and,

D. Granting such other and further relief as this Court may deem just and proper.

DATED: September 26, 2002

HAGENS BERMAN LLP

By _____
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CERTIFICATION OF NAMED PLAINTIFF PURSUANT TO FEDERAL SECURITIES LAWS

I, __Ronald R. Wambolt_, do hereby certify that:

1. I have reviewed the complaint regarding Avista, Corp. prepared by Lovell & Stewart, LLP, whom I designate as my counsel in this action for all purposes, and I authorize its filing on my behalf.

2. I did not acquire or buy the shares of Avista, Corp. common stock that are the subject of the aforesaid Complaint at the direction of my counsel or in order to participate in any private action arising under the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995.

3. I am willing to serve as a representative party on behalf of a class of Avista shareholders, including providing testimony at deposition and trial, if necessary.

4. I engaged in the following transaction(s) involving Avista shares:

(Fill in as appropriate)

	TRANSACTION (Purchase or sale)	DATE	NUMBER OF SHARES	PRICE PER SHARE
A.	Purchase	2/28/00	3,000	29 3/16
B.	Sale	4/25/00	800	27.75
C.	Sale	11/20/00	2,200	22.75
D.				

5. I am not seeking and have not sought to serve as a representative party on behalf of a class in any other action brought under the federal securities laws that was filed during the three-year period preceding (before) the date of this certification except as indicated below:

(Fill in if you have been or have tried to become lead plaintiff in any other federal securities class actions during the three years before today. If you have not been a party to any class actions, leave blank.)

3Com, Dec 1998

----------Citrix Systems,Jun 2000
I was not selected in either case.

6. I will not accept any payment for serving as a representative party on behalf of the Class beyond my pro rata (based on how much stock I own) share of any recovery, except such reasonable costs and expenses (if any) that I incur directly relating to the representation of the Class and my activities in the lawsuit, as ordered or approved by the Court.

7. I certify under penalty of perjury that the foregoing is true and correct.

Executed this __16___ day of July 2002.

_____ (Signature)
_____ (Title)
__11701 Bella Coola Rd. (Address)
__Woodway, Wa. 98020_____
_____